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NFORMATION REPORT INFORMATION REPORT

CENTRAL INTELLIGENCE AGENCY

No. 46.	CONFIDENTIA	L .	PROCESSING		
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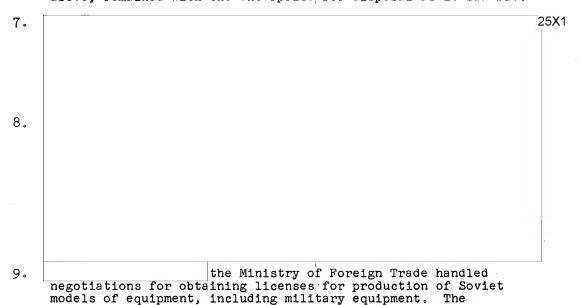
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- Accumulation was the only source of amortization funds for the 5. economy. With respect to enterprises producing for civilian consumption, the Ministry of Finance decided the amount of accumulation each enterprise must produce within the year. The State Pricing Commission established civilian prices in coordination with producing enterprises and by taking into account the accumulation levied against a given enterprise. The amount of accumulation varied, depending on the governmental policy at any given time. For example, prices on clothing for school children were generally kept low for propaganda reasons, and consequently the element of accumulation in such prices was also low. It sometimes happened, when several enterprises produced a given article, that a particular enterprise had to operate at a loss for a time, because the price established by the State Pricing Commission was not high enough to assure the needed accumulation as well as a profit. In such cases, the enterprise operated at a loss until such time as a change in price or an adjustment of the amount of accumulation required was made.
- 6. Industries producing armaments obtained their investment funds from the allocations to the national economy, since prices established on military goods allowed for no accumulation and these enterprises as a rule not only did not build up their own reserves, but operated at a loss and were subsidized by the government. In general, such enterprises had no revenue, since they operated on the basis of costs of production. Any profits, as for example the three percent mentioned above, remained with the enterprise for disposal as it saw fit.



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producing enterprise usually added two or three percent to

its production costs to cover the license fees.

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10.	the explicit military allocations in the budget were used chiefly for maintenance, reconstruction, repair, and quartermaster-type expenditures in military establishments and enterprises engaged in serial production of military goods; the hidden funds were used for intelligence, research, and development, as well as possibly for the production of highly secret items.	25X1
	duction of highly secret items. the main source of these hidden funds were the portion of allocations made to other ministries that were never actually assigned to these ministries. Via their financial plans the various ministries made their requests for allocations from the Sejm. The Sejm, via the approved budget, agreed to certain total sums for the individual ministries, but during the Sejm session permission was given for immediate assignment to the ministries of only a portion of these approved funds; the	25/1
	remainder was to be worked out later in detail. In actual fact these remainders were never worked out as stated above but instead were used by the State Council, in coordination with the Sejm Military Commission, for allocation to this or that sector of the military economy as required.	25X1
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